



BUREAU OF INSURANCE

March 30, 2000

Administrative Letter 2000 – 3

**TO: All Insurers, Health Maintenance Organizations and Other Interested Parties**

**RE: Regulation of Capitated Administrative Services Only (ASO) Agreements**

Administrative Letter 1995-10 dated September 11, 1995, in which the Bureau of Insurance advised all insurers, health maintenance organizations and other interested parties that capitated ASO agreements are the business of insurance and that, under such agreements, health care providers as well as health plan administrators may be subject to the provisions of Title 38.2 of the Code of Virginia, is hereby modified solely with respect to individual employer/employee benefit plans.

In this regard, health plan administrators that enter into capitated ASO agreements or arrangements on behalf of an employer/employee benefit plan are not engaged in the business of insurance, provided such administrators assume no insurance or financial risk relating to benefit claims. Moreover, generally, a duly licensed or authorized health care provider who is not otherwise subject to regulation under Title 38.2 of the Code of Virginia as an insurer, health maintenance organization or health services plan, is not subject to such regulation, if such provider is capitated solely for the provision of his or her own professional services. Additionally, under such circumstances, such employer/employee benefit plan remains financially responsible for the health care costs of its plan members in the event that a capitated health care provider under such plan fails to perform.

Please direct any questions concerning this Administrative Letter to:

Victoria I. Savoy, CPA  
Chief Financial Auditor  
Financial Regulation Division  
Bureau of Insurance  
P.O. Box 1157  
Richmond, VA 23218  
(804) 371-9869

Sincerely,

Alfred W. Gross  
Commissioner of Insurance